

City of Minneapolis Rent Stabilization Working Group
Meeting #10
December 13, 2022, 11:30-1:30pm
Minneapolis Central Library, (Room 280, Doty Board Room), 300 Nicollet Mall

- I. Welcome (5 minutes) 11:30 - 11:35 am
Thank You by the City of Minneapolis
23 Total Members Present
- II. Review Ground Rules (5 minutes) 11:35 - 11:40 am
- III. NEOO Presentation (15 minutes) 11:40 - 11:55 am
- IV. Break (10 minutes) 11:55 - 12:05 pm
- V. Small Group Activity (60 minutes) 12:05 - 1:05 pm

If these were the two options for rent stabilization which would you prefer?

- 1. Groups self-select into the framework that they prefer

You are now in 2 groups (Adriana floats)

- 2. Framework 5: Denetrick, Jasmine, Cam
- 3. Framework 7: D'Angelos, Deanna,
- 4. You have 30 minutes at each table

Framework 5

- Top two components that must remain the same:
 - Fixed rate at 3% (one of the most important thing),
 - no CPI
- What accompanying policies are necessary to make the framework successful?
 - Public resource pool for tenants below 50% AMI , facing displacement
 - Universal rent subsidy for family below 50% AMI , facing displacement
- What implications should be explored further? (i.e. budget, staffing, etc)
 - Recommend just cause- landlord needs to give a reason to no renew your lease and eviction notice should be expanded from 2 weeks to at more than 30 days
 - Include sufficient resources to help keep people keep their housing
 - Exceptions for affordable housing, recognizing that there are “bad players” need to bring their properties to a cash flow level.
 - City certification
 - Exemption for the rents that are very high on the spectrum
 - Deferred maintenance is a recognition that you haven’t raised rent and things are starting to fall apart
 - Exemption for capital improvements tie to regulatory agreement to show this matches to a certain policy value
 - If we want low income people to live in dignified housing you have to go beyond code (need more than city code)
 - Deferred maintenance allowance
 - Educating other tenants and landlords about the process towards compliance and monitoring , co- enforcement
 - In favor of a hybrid of elected board
 - One or two spots on the board that is reserved for a person who has lived experience

- there needs to be money set aside in the budget in order to do the inspections
- Comply with statutory habitability improvements
- In addition to compliance and monitoring dive in the directions to its entities prioritizing flow income, renters households it would benefit all households.
- Hybrid board (hybrid in appointed and elected) :
 - ◆ 10-15 board members (hearings would be 3-4 people at a time)
 - ◆ 6 elected positions
 - ◆ 6 appointed positions
 - ◆ One lived experience
 - ◆ Appeals component
- Elected Board would be better- Agreeance on hybrid of elected, subject matter included and community. Hennepin county has a lived experience working group. That could be added 1 seat on the table/board.
 - ◆ Similar Board of taxation
 - ◆ Board members- 10-15 members.
 - ◆ Could have 6 members that represent all the school board/park board districts
 - ◆ Diversity of rents and owners more than anything else- $\frac{1}{3}$ renters, $\frac{1}{3}$ landlords, TA group
 - ◆ Members with lived experience
 - ◆ Appeals component
 - ◆ Guaranteed equal stakeholder engagement
 - ◆ Initial hearing it is a small board and if there is an appeal, it goes to the
 - ◆ Co-enforecement with tenants and landlords
- Appeals process and the landlord can appeal if they agree.
- Fixed rate- no CPI
- Exception for affordable housing- need to bring property in a cashflow property. You have to go to the process, exceptions over exemptions.
- Prove it through deferred maintenance - recognition that you haven't raised rent, need the exemption to be able to afford to do that.
- Tie it to a regulatory agreement, doesn't need it to be regulated. That would be the provision and legal document that someone is held to.
- **Maintenance of net operating standard-** deferred maintenance and hability standard- statutory rental "reasonable repair"- norm setting , bring the property to city code and statute. Move the property to comply with the habitability products.

- Positive cashflow and repayment is measured, in the context of setting a baseline
- Educating code enforcement about the compliance and monitoring ,
- Money needs to be available for this work in the budget- implication
- Exception to add- Focus on the most disparities(income) focus, removing and having an exemption for those at the higher end. Focus attention on those who need it, focus on certain rent levels
- Compliance- target the target enforcement(high disparities), not trying to manage those who can afford the rent
- Give direction to use an target enforcement and monitoring with the universal approach
- Large families and multi-gen households who pay high rent and may need rent control and can be blocked out if it is only focus on
- Income can be derivative and make a universal policy making sure that nothing is left behind.
- Having more resources available to those with low income might be middle ground
- Implications- just cause is really important- have to give a reason.
- City of MPLS currently 2 week notice before eviction for non-rent payment should include all reasons and given a minimum 35 days, people need time to find a place for people to live.
- Sufficient resources to help them pay rent- tenant protection and resources
- **Is there value in signaling rent banking - it was presented as a binary and there is a lot of nuance. The group discussed what this would look like and if it should be included.**
- Don't love an appointed board. Would like to see an elected board.
- Desire to flesh out exemptions
- Desire to flesh out compliance and monitoring
- Agreement on fixed rate at 3% annually, IF exception is coupled for investment improvements
- Like exceptions because people have to apply for them; want for affordable housing development
 - ◆ Criteria: IF the regulatory agreement aligns with the values of the rent stabilization framework, THEN exception can be granted for affordable housing developments

- Exception for **maintenance of net operating income standard** to meet “covenant of habitability” to keep properties in reasonable repair
- Pro code enforcement including education of landlords and tenants
- Pro hybrid elected and appointed body to populate board; like “lived-experience” seat(s) reserved on board
- Ensure there’s funding for certification process
- Like a board because discussions are open to the public
- Like concept of “Appeals” for landlords and tenants to couple with certification and exceptions
- How many board positions, and how many people required to operate appeals board?
- Rent banking: CAN allow tenants to save money over time for when rent goes up a lot at once; COULD incentivize longer tenancy;
- Rent Banking: CAN it only apply to vacancy control?
- Rent Banking: tenants can feel wronged if 15% banked rent can be applied all at once
- Rent
- **Exception:** Policy focused on priority low-income populations.
 - ◆ Can this show up by prioritizing certification for low-income rental units?
 - ◆ Can punish multi-generational units with relatively high incomes
 - ◆ All developments governed by regulatory agreement per financing can get exception if they operate within ethos of rent framework
- **Blended make-up is more important with elected and appointed members with lived experience:**
 - ◆ **Renters**
 - ◆ **Landlords**
 - ◆ **Neither**
 - ◆ **SME**
- **Want modeled after co-enforcement**
- **Want city certification and appeals**
- **Exceptions for capital improvements, AND investments made to comply with standards for habitability**
- **Include Just-Cause tenant protection under core policy**
- **Eviction notification minimum of 45 days**
- **Funding for emergency resources for rental assistance at or below 50% AMI facing rental displacement**



Framework 7

- Top two components that must remain the same:
 1. Vacancy decontrol
 2. New construction exemption for a rolling 30 years
 3. + CPI (or housing cost index)
 4. We all said the direct subsidy would be the best solution. (11 members agree on direct subsidy)
- What percentage of the rent cap should be set at?
 - 5-7% + CPI (10 votes) The rent is variable at 5-7%
 - 5% + CPI (5 votes)
 - 7% + CPI (8 votes)
 - 10% + CPI (1 vote)
 - 3% Plus CPI (4 vote)

- (a) Don't want to affect or harm wonderful property owners because we are trying to help the most impacted.
 - (b) Renters only make so much money, you can't push rents past what people can pay or they look for other housing options. There is not a rent we will set the people will pay there is a set rent that people will not pay.
 - (c) Use Housing Inflation instead of CPI, using CPI creates a structural flaw, you can weaken the market long-term because it is not the right metric to be using. I would advocate for 5-7%.
- What accompanying policies are necessary to make the framework successful?
 - Direct Rental Subsidy for 30% AMI, the most vulnerable and lowest income (11 members (unanimous of those in favor of framework 7))
 - Self Certification allows city budget room for direct subsidy
- How long should new construction be exempt?
5,10,15,20,30?
 - A rolling 30 years (11 members agree, unanimous)*
 - define rolling
 - This exemption is usually set by a year so that all new construction is exempt in perpetuity.
 - Forever and indefinitely create a dichotomy between class A and class B properties.
- What implications should be explored further?
 - Remove the exemption of small properties 1-4 units, Came up last time how the small property exemption does not help the zip codes we are targeting
 - Retain the homeowner and small unit exemption, it is the only positive of the framework.
 - Been myopically focused on the frameworks, no conversation around the 2040 plan.
 - I am concerned about exempting the 4 units and less because of the targeted zip codes. Im fine with owner-occupied exemption

- I think affordable housing should be an exception not an exemption. There is a time and place when there is an extreme need. I also think we should add an exception to substantial capital improvements.
- We should not be restricting affordable housing. Negative pushback around Dominion should not ruin things for other affordable housing projects.
- Curb the bad actors, the smaller landlords that are raising rents and keeping people out. Need to make sure we allow the affordable housing industry to flourish.
- Getting bad actors out of the rental business would be an amazing feat for any city. If there were proof that the rent control policy works I would be behind it. I want a solution that will actually push the problem forward. This policy has no chance of helping people. Germany killed a rent control policy because they knew these truths.
- Exemptions should be reframed to think about what should apply to it and why, and where is there a current market failure.
- We need direct subsidies for renters in need. (three people agree)
- We don't want people to have housing instability, where are rents going up and how can we craft this policy to prevent gouging and minimize negative externalities.
- Fundamentally disagree with a rent control policy as it does not help the targeted zip codes
- VOTE: Add an exception for substantial improvements.
Unanimous support amongst 11 members
- VOTE: Using Housing Cost Index instead of CPI.
Unanimous support amongst 11 members.
Minimizing the negative externalities, places have put in anti-gouging Oregon is $cpi+7$, competing for investment dollars.

How does decontrol affect how someone would underwrite a project? Is a lower cap more palatable with vacancy decontrol?

The lender is going to look at the most conservative.

Add a reasonable rate of return. (no agreement)

- VOTE: Vacancy Decontrol stays (11 members agree, unanimous of those in support)
- VOTE: Rent banking stays in (11 members agree, unanimous of those in support)
- VOTE: Keep exempt 4 units or less (5 want to keep the exemption) (6 want to remove) (The exemption for 4 units or less was voted to be removed)
- VOTE: exempt owner-occupied (6 want to keep the exemption) (5 want to remove) (The exemption for owner occupied properties remained)
- Tenant Protections (10 members agree)
- The city recently passed tenant protections
- Should really assess how this impacts the target audience, possibly explore direct subsidy as this will better help the most vulnerable.
- Explore the city's ability to meet the new housing need expressed in the 2040 plan
- A Total policy cost report should be delivered to the city council Annually as part of compliance and monitoring (11 members agree)

VI. NEOO Presentation (5 minutes) 1:05 - 1:10 pm

Final Framework Components (not in priority order):

Framework 5

1st	Fixed Rent Increase at 3%
2nd	No CPI
3rd	Vacancy Control
4th	No Rent Banking
5th	No Exemptions
6th	An Exception process for investment / substantial capital improvements
7th	City Certification
8th	Newly Appointed and elected Board (renters and landlords) model after co enforcement
9th	Exception for deferred maintenance and habitability
10th	Just Cause Tenant Protections
11th	Eviction notification memo 45 days or more
12th	Appeals process

Framework 7

1st	Direct Rental Subsidy at 30% AMI
2nd	Variable Rent at 5-7%
3rd	Plus CPI or Housing Cost Index
4th	Vacancy DeControl
5th	Rent Banking
6th	Exempt Affordable Housing
7th	Exempt All new construction rolling 30 years
8th	Exempt Owner Occupied Housing
9th	Self Certification + Appeals
10th	Alternate Dispute Resolution
11th	Exception for Capital Improvements
12th	Total Program Cost Analysis Annually

VII. Final Deliberation (15 minutes) 1:10 - 1:25 pm

The final vote occurred via Mentimeter

If these were the two options for Rent Stabilization, Which do you prefer? : 1	
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Framework 5	
Framework 7	
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Total Menti In Person Vote: Framework 5 (12 Votes), Framework 7 (11 Votes)

Final Vote: Framework 5 (14 Votes), Framework 7 (11 Votes)

1. Email Vote 1 of 2

- I vote for **Framework 5**.
- 3 things that cannot change: **no CPI factored into cap, vacancy control, no exemptions for small buildings/structures, and the exception for capital investment.**
- Other policies to consider: One supplement I am advocating for is a notice requirement by the landlord to disclose the details of the rent stabilization ordinance (should Minneapolis enact one), which should be provided by landlord to tenant upon signing of the initial lease and each time the landlord provides notice they intend to raise rent. This notice could also provide information about tenant advocacy organizations, legal aid, and contact info for local representatives (i.e. applicable city council members). If there is a strong push for vacancy decontrol, I advocate strongly for increased tenant protections, such as a just cause eviction requirement. Please let me know if there's any more info you need from me. I am happy to provide more input if necessary. Thank you again for your email and for accommodating those of use who can't make the final meeting.

2. Email vote 2 of 2:

- Thank you. The **5th framework** is the one I am most in alignment with. However, I would like to vote for a policy that includes a 3% annual cap, no vacancy decontrol, no rent banking, no exemptions, and no exceptions, and for an elected board of renters to enforce the policy.

VIII. Close (5 min) 1:25 - 1:30 pm (survey)